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Amazon tax dispute puts California tax board in spotlight

By Dale Kessler

George Runner thinks California's new Internet [sales tax](#) law is a terrible idea – and he's one of the people in charge of enforcing it.

The former state senator sits on the [State Board](#) of Equalization, the agency that oversees the collection of sales tax in California.

The board, which normally labors in obscurity, has been thrust into one of the hottest political dramas of the year: the fight between California and Amazon.com over Internet taxes. And the five people who govern the agency can't agree on the tax, either.

Runner, a Republican from Lancaster, is rooting for a ballot referendum Amazon is pushing to overturn the tax. He says the tax hurts the business climate, and legislators who pushed it "should be ashamed to appear in public."

Democratic board Chairman Jerome Horton calls Amazon "morally wrong" and predicts the online retailer from Seattle will get clobbered at the [ballot box](#). Other board members have weighed in on both sides of the issue.

Board officials say the philosophical split won't undermine the board's ability to administer the new tax. But the schism does create something of a spectacle: dueling press releases from board members and tart exchanges at board meetings.

Even seemingly mundane matters turn partisan, as when the board voted 3-2 this week to hold hearings on how to implement the Internet law. The three Democrats voted yes, the two Republicans voted no.

"Sometimes we disagree," Runner said afterward. "It's just what it is."

If it seems odd that leaders of a state agency are so publicly at odds about an issue, remember that this is no ordinary bureaucracy.

The [Board of Equalization](#) is "the nation's only elected tax commission," according to its website. Four of the five board members are voted into their jobs; two of them are former legislators. The fifth member, [John Chiang](#), sits on the board by virtue of being the state controller, also an elected post.

"These are politicians," said Robert Stern, president of the [Center for Governmental Studies](#) think tank in [Los Angeles](#).

ABx1 28 says out-of-state Internet retailers must collect sales tax from California customers. The law is designed to generate \$300 million for state and local governments, and remove the built-in price advantage over brick and mortar stores that Internet merchants get by not charging tax.

Online retailers with stores in the state already had to collect the tax. The new law extends to retailers like Amazon, which has no stores but operates subsidiaries in California.

But Amazon refused to collect the tax and launched a voter referendum to repeal it.

Amazon, like many other Internet retailers, also severed ties with thousands of California affiliates – businesses and individuals who earned commissions referring customers to the retailers' websites.

That prompted cries of "job killer" from critics of the new law, including the two Republicans on the [Board of Equalization](#).

"I was against this Internet tax to begin with," board member Michelle Steel told her colleagues at Tuesday's meeting. Steel is married to Republican power broker Shawn Steel and has signed activist Grover Norquist's famous anti-tax pledge.

On the other side, Horton and fellow Democrat Betty Yee have wasted little time calling Amazon a scofflaw.

"Amazon is morally wrong," said Horton, a former assemblyman from Inglewood. "They're out of state, they're a non-California entity refusing to comply with California law."

Horton dismissed Amazon's argument that collecting sales tax in hundreds of jurisdictions would be a logistical nightmare.

"That may have been true in the [Stone Age](#), but now in the age of technology it's as easy as pushing three buttons," he said.

Even as the rhetoric escalates, however, Horton said board members "are all unanimous on enforcing the law" regardless of their political opinions.

"We have a responsibility as a tax collection agency," Runner said in an interview. "I get that."

Still, the partisan divide was on full display at Tuesday's board meeting.

Staff members came to the board seeking permission to schedule hearings on implementing the new law.

Runner objected. His reasoning had to do with Amazon's ballot challenge.

Amazon is out collecting signatures to place the issue on the ballot, probably next February or June. Because of a wrinkle in the California referendum process, the new tax could be suspended for several months leading up to next year's vote if Amazon gets the necessary signatures.

At the board meeting, Runner said the BOE shouldn't be holding hearings on a law "that is on pause."

Yee tried to cut Runner off and reminded him that the law is currently in effect.

"The bill's been signed, Mr. Runner," the San Francisco Democrat said.

Eventually, Yee and the other two Democrats prevailed.